



**national treasury**

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## **PRESS RELEASE**

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### **Local Government Capital and Operating Expenditure of approved budgets for the 2007 Medium Term Revenue and Expenditure Framework (MTREF)**

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#### **Introduction:**

1. To compliment the Provincial Budget and Expenditure Review which was tabled by the Minister of Finance in Parliament on 05 September 2007, the Minister of Finance has further approved the release of the approved budget information for all 283 municipalities on the National Treasury's website. This has now become an annual event.
2. The equivalent of the provincial publication, commonly referred to as the "Local Government Budget and Expenditure Review", will only be published during 2008. This will allow the National Treasury, with the support of both provincial treasuries and municipalities, sufficient time during 2007 to obtain and improve the quality of information to be included in the next publication.
3. The information released together with this press statement reflects aggregated municipal budget totals for the 2007/08 financial year and over the medium term period for all municipalities. The information is summarized in a variety of ways including per category of municipality as well as per province. The information being released includes the following:
  - Press Release – Main document;
  - Aggregated / consolidated MTREF information;
  - A set of graphs;
  - Municipal Operating Budgets for 2007/08 – Annexure A;
  - Municipal Capital Budgets for 2007/08 – Annexure B;
  - Municipal Operating Budgets for 2008/09 – Annexure C;
  - Municipal Capital Budgets for 2008/09 – Annexure D;
  - Municipal Operating Budgets for 2009/10 – Annexure E; and
  - Municipal Capital Budgets for 2009/10 – Annexure F.

All information is available on the National Treasury's website at [www.treasury.gov.za](http://www.treasury.gov.za).

4. This information will assist policy makers, researchers, sector specialists, elected representatives, academics and those responsible for implementation. It will also be used by National Treasury as the basis for the In-year Management, Monitoring and Reporting System for Local Government (IYM) in terms of Section 71 of the MFMA. The MFMA envisages that regularly published budget information will enable and empower communities to hold their Municipal Councils accountable.

#### **Summary:**

5. Section 24(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA) requires the Accounting Officer (the Municipal Manager) of a municipality to submit the municipality's annual budgets to National Treasury and the relevant provincial treasury once approved by their respective Councils. The National Treasury has been placing these budgets on the National Treasury's Website on an annual basis since the 2005/06 financial year, irrespective of whether a formal publication in the form of the Local Government Budget and Expenditure Review has been produced for that specific year or not.
6. The information has been extracted from the approved budgets of all 283 municipalities and was subjected to intensive verification and checking processes by National Treasury and provincial treasury staff to improve on the quality of the information.
7. In some instances data have been adjusted to include or to eliminate duplications of transfers between district and local municipalities and transfers from operating to capital budgets.
8. To further mitigate the problems associated with producing a set of numbers that are comparable across all municipalities, the National Treasury is in the process of developing budget format regulations which will soon be made available for formal consultation. The standardisation of budget formats across all municipalities will improve the quality and consistency of budget information submitted by municipalities in future.

#### **DETAILED ANALYSIS OF THE 2007/08 MTREF:**

9. The analysis contained in this press release will be restricted to the aggregated expenditure by category of municipality, an overview of the budgets of the six metropolitan councils, the top 21 municipalities and a summary of municipal budgets per province. The detail supporting tables will provide more information by type of expenditure item and operational information.

#### ***Aggregated Operating and Capital Budget per Municipal Category***

10. Table 1 shows budgeted aggregate expenditure by category of municipality over the MTREF period. In aggregate, the 2007/08 budget is R157,3 billion, increasing to R160,6 billion in 2008/09, but decreasing to R156,6 billion in 2009/10, as illustrated in figure 1. The 2007/08 budget is an increase of 23 per cent over the 2006/07 budget (a 37 per cent increase in the capital budget and 20 per cent for the operating budget). The capital budget is supported by a 43 per cent increase in capital grant funds and a

44 per cent increase in loans. While the 2009/10 budget decrease is mainly attributed to a reduction in grant funding and loans, it also appears that the outer year estimates are generally less robust.

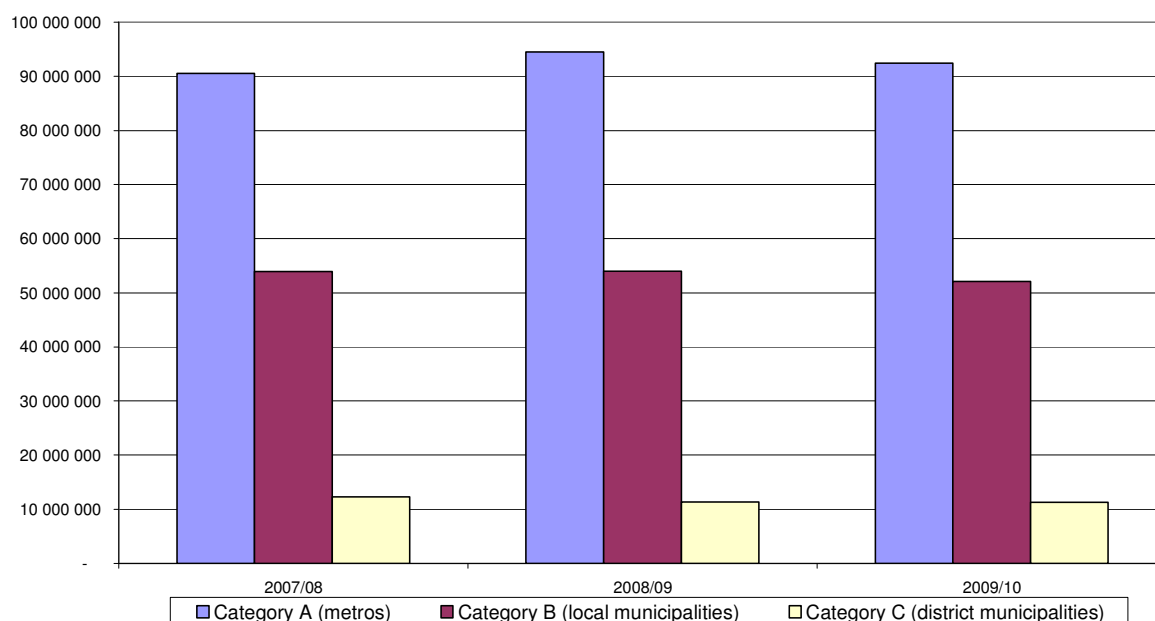
#### 1. Aggregated Operating and Capital expenditure per category, 2007/08 - 2009/10

R thousand	2007/08			2008/09			2009/10		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Category A	19 329 595	71 189 226	90 518 821	19 697 819	74 780 101	94 477 920	15 055 905	77 407 708	92 463 613
Category B	15 329 364	39 203 362	54 532 726	15 114 609	39 695 286	54 809 895	11 024 273	41 786 671	52 810 944
Category C	5 077 015	7 165 794	12 242 809	4 417 751	6 893 062	11 310 813	4 293 567	6 982 079	11 275 646
<b>Total</b>	<b>39 735 974</b>	<b>117 558 382</b>	<b>157 294 356</b>	<b>39 230 179</b>	<b>121 368 450</b>	<b>160 598 629</b>	<b>30 373 745</b>	<b>126 176 458</b>	<b>156 550 203</b>
<b>% of total expenditure</b>									
Category A	48,6%	60,6%	57,5%	50,2%	61,6%	58,8%	49,6%	61,3%	59,1%
Category B	38,6%	33,3%	34,7%	38,5%	32,7%	34,1%	36,3%	33,1%	33,7%
Category C	12,8%	6,1%	7,8%	11,3%	5,7%	7,0%	14,1%	5,5%	7,2%

Source: National Treasury Local Government Database

Figure 1

#### Aggregated budgeted expenditure per category, 2007/08 - 2009/10



11. The combined budget of the six Metros as a share of the total local government budgets constitutes on average 57,5 per cent, whereas local municipalities represents on average 34,7 per cent. District municipalities represent, on average, 7,8 per cent. The shares remain constant over the MTREF period.
12. Capital Expenditure represents 25,3 per cent in 2007/08, 24,4 per cent in 2008/09 and 19,4 per cent in 2009/10 of the aggregated budgets of municipalities.

## ***Aggregated Operating and Capital Budget for Metropolitan Municipalities (Metros)***

13. Table 2 shows the aggregated budgeted expenditure for the six Metros over the MTREF period. Their total budgeted expenditure for 2007/08 amounts to R90,5 billion, increasing to R94,5 billion in 2008/09, but decreasing to R92,5 billion in 2009/10, as illustrated in Figure 2. The Metros' capital budget increases from R13,2 to R19,3 billion, a 46 per cent increase over 2006/07 and represents 48,6 per cent of the total municipal capital budget for 2007/08. The size of some Metros capital budgets over the MTREF are influenced by 2010 projects. The 2009/10 budget decrease is mainly attributed to a finalization of 2010 projects and a reduction in the associated grant funding and loans.
14. The City of Johannesburg has the highest total budget over the MTREF, followed by eThekweni and Cape Town. The operating expenditure on services by the Metros over the MTREF grows slightly and the focus appears to be on electricity, followed by water and minimal expenditure on sewerage and sanitation. The main contributor to the budgeted revenue from services by the 'metros' appears to be electricity which grows significantly over the MTREF. A breakdown of the various contributors to capital and operating budgets per municipality is shown in detail in Annexure A to F of this publication.

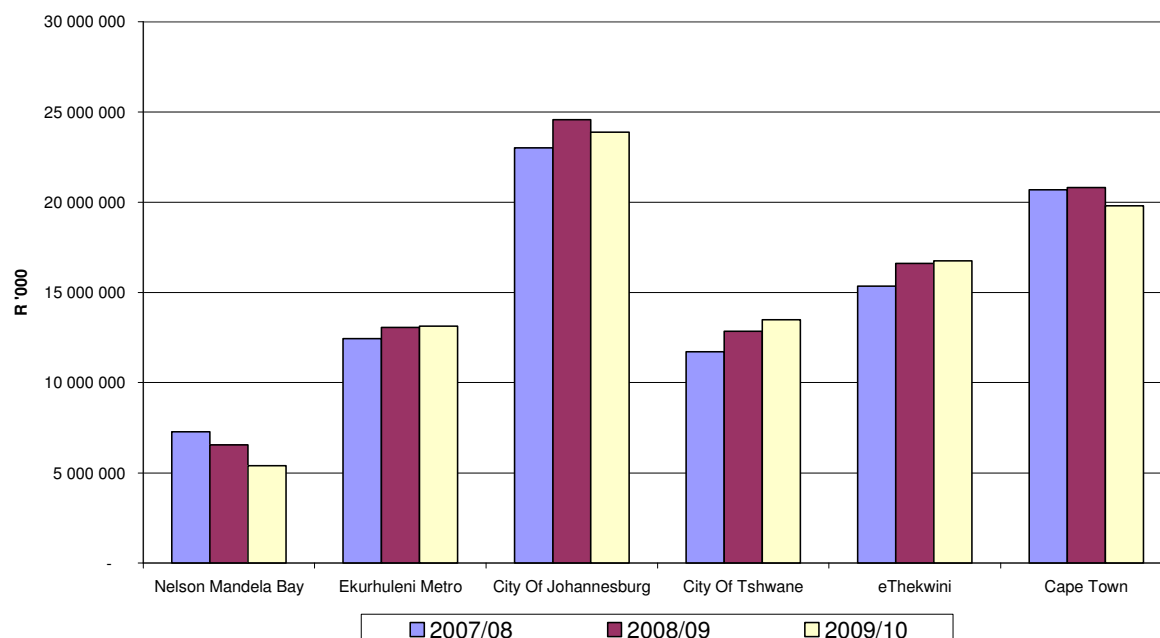
### **2. Aggregated Operating and Capital expenditure for metros, 2007/08 - 2009/10**

<b>R thousand</b>	<b>2007/08</b>			<b>2008/09</b>			<b>2009/10</b>		
	<b>Capital</b>	<b>Operating</b>	<b>Total</b>	<b>Capital</b>	<b>Operating</b>	<b>Total</b>	<b>Capital</b>	<b>Operating</b>	<b>Total</b>
City Of Johannesburg	4 761 286	18 261 712	<b>23 022 998</b>	5 112 278	19 461 491	<b>24 573 769</b>	3 658 305	20 224 001	<b>23 882 306</b>
Cape Town	4 072 917	16 625 546	<b>20 698 463</b>	3 523 208	17 296 845	<b>20 820 053</b>	2 655 075	17 157 187	<b>19 812 262</b>
eThekweni	4 198 657	11 155 446	<b>15 354 103</b>	4 793 687	11 828 297	<b>16 621 984</b>	3 511 820	13 245 077	<b>16 756 897</b>
Ekurhuleni Metro	1 851 543	10 593 608	<b>12 445 151</b>	1 847 192	11 214 481	<b>13 061 673</b>	1 563 754	11 582 674	<b>13 146 428</b>
City Of Tshwane	2 315 840	9 407 859	<b>11 723 699</b>	2 794 704	10 058 101	<b>12 852 805</b>	2 597 960	10 879 830	<b>13 477 790</b>
Nelson Mandela Bay	2 129 352	5 145 055	<b>7 274 407</b>	1 626 750	4 920 886	<b>6 547 636</b>	1 068 991	4 318 939	<b>5 387 930</b>
<b>Total</b>	<b>19 329 595</b>	<b>71 189 226</b>	<b>90 518 821</b>	<b>19 697 819</b>	<b>74 780 101</b>	<b>94 477 920</b>	<b>15 055 905</b>	<b>77 407 708</b>	<b>92 463 613</b>
<b>% of total expenditure</b>									
City Of Johannesburg	24,6%	25,7%	25,4%	26,0%	26,0%	26,0%	24,3%	26,1%	25,8%
Cape Town	21,1%	23,4%	22,9%	17,9%	23,1%	22,0%	17,6%	22,2%	21,4%
eThekweni	21,7%	15,7%	17,0%	24,3%	15,8%	17,6%	23,3%	17,1%	18,1%
Ekurhuleni Metro	9,6%	14,9%	13,7%	9,4%	15,0%	13,8%	10,4%	15,0%	14,2%
City Of Tshwane	12,0%	13,2%	13,0%	14,2%	13,5%	13,6%	17,3%	14,1%	14,6%
Nelson Mandela Bay	11,0%	7,2%	8,0%	8,3%	6,6%	6,9%	7,1%	5,6%	5,8%

Source: National treasury Local Government Database

**Figure 2**

**Aggregated budgeted expenditure for metros, 2007/08 - 2009/10**



15. The above table also shows the expenditure split for all metropolitan municipalities over the MTREF period. The City of Johannesburg which is the biggest Metro has the highest capital budget at 24,6 per cent of the total capital budget, followed by eThekweni and Cape Town at 21,7 per cent and 21,1 per cent respectively. The metropolitan municipality with the lowest proportion of capital expenditure budget is Ekurhuleni Metro at 9,6 per cent, this shows an anomaly if we have to consider that it has a higher population and number of households than the City of Tshwane and Nelson Mandela Bay which have a higher proportion of capital expenditure budget at 12 per cent and 11 per cent respectively. The trend is almost similar on the operating budget where the City of Johannesburg represents the highest operating budget at 25,7 per cent of the total operating expenditure budget, followed by the Cape Town (23,4 per cent) and eThekweni (15,7 per cent). It is noted with concern that the total budget of Nelson Mandela Bay shows a declining trend over the medium term whilst others are showing a gradual increase in 2008/09 and slight decrease in 2009/10.

***Aggregated Operating and Capital Budget for the next Top 21 Municipalities***

16. Table 3 shows the aggregated budgeted expenditure for the next top 21 municipalities over the MTREF period ranked from the highest to lowest using 2007/08 as the starting point. Their total expenditure budget for 2007/08 amounts to R25,3 billion, increasing to R25,0 billion in 2008/09, but decreasing to R23,7 billion in 2009/10. Multi-year budgeting is still a challenge to some of these municipalities, with Emfuleni not providing capital budgets for the ensuing two years and Newcastle not providing operating and capital budgets for the two outer years due to capacity and other problems.

### 3. Aggregated Operating and Capital expenditure for Top 21 municipalities, 2007/08 - 2009/10

R thousand	2007/08			2008/09			2009/10		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
<b>Top 21 Municipalities</b>	<b>6 116 653</b>	<b>19 207 167</b>	<b>25 323 820</b>	<b>5 786 279</b>	<b>19 216 635</b>	<b>25 002 914</b>	<b>3 829 103</b>	<b>19 904 267</b>	<b>23 733 370</b>
Polokwane	862 927	1 535 531	2 398 458	951 673	1 320 588	2 272 261	317 185	961 145	1 278 330
Mangaung	673 561	1 630 004	2 303 565	824 322	1 651 849	2 476 171	480 200	1 788 448	2 268 648
Buffalo City	372 328	1 757 088	2 129 416	299 412	1 827 412	2 126 824	258 075	1 936 628	2 194 703
Msunduzi	210 282	1 751 485	1 961 767	243 675	1 834 569	2 078 244	248 291	1 945 012	2 193 303
Emfuleni	161 334	1 682 503	1 843 837		1 668 678	1 668 678		1 730 896	1 730 896
Rustenburg	344 661	1 369 894	1 714 555	363 220	1 536 025	1 899 245	273 835	1 441 378	1 715 213
Mbombela	962 913	640 086	1 602 999	1 036 608	708 413	1 745 021	250 087	756 312	1 006 399
uMhlathuze	427 983	894 009	1 321 992	416 100	934 831	1 350 931	309 997	997 843	1 307 840
City Of Matlosana	215 224	917 779	1 133 003	108 145	913 956	1 022 101	103 168	1 034 584	1 137 752
Matjhabeng	186 147	838 835	1 024 982	164 400	908 303	1 072 703	177 552	984 333	1 161 885
George	273 024	624 982	898 006	265 575	612 145	877 720	270 239	668 806	939 045
Emalahleni (Mp)	244 957	629 074	874 031	120 612	676 169	796 781	129 142	715 467	844 609
Drakenstein	150 788	663 726	814 514	165 896	707 997	873 893	173 964	761 824	935 788
Mogale City	90 783	722 135	812 918	58 799	765 464	824 263	40 677	819 047	859 724
Sol Plaatje	155 839	579 826	735 665	139 775	620 674	760 449	113 137	664 577	777 714
Govan Mbeki	81 555	635 625	717 180	71 756	662 956	734 712	64 364	692 790	757 154
New castle	74 729	606 787	681 516						
Stellenbosch	192 912	465 212	658 124	177 385	509 249	686 634	185 520	544 467	729 987
Madibeng	123 947	510 606	634 553	119 142	554 666	673 808	206 241	611 769	818 010
Steve Tshwete	248 792	362 680	611 472	193 226	387 715	580 941	155 075	412 689	567 764
Potchefstroom	61 967	389 300	451 267	66 558	414 976	481 534	72 354	436 252	508 606

Source: National Treasury Local Government Database

17. Mbombela and Polokwane, as host cities of the 2010 World Cup, have the highest proportion of capital budget to total capital budget of 15,7 per cent and 14,1 per cent respectively, while the same cannot be said about Rustenburg which is at 5,6 per cent. Municipalities with the lowest proportion of capital budget to total budget are Mogale City, Govan Mbeki, Newcastle and Potchestroom which are all below 2 per cent. However, it should be noted that for 2007/08 the average percentage capital budget to total budget for top 21 municipalities is 24 per cent compared to the metros at 21 per cent and national aggregate for all 283 municipalities at 25 per cent. Over the medium term both the capital and operating budgets of the top 21 municipalities show some stability with slight growth in the 2008/09 year and a gradual decline in 2009/10.

#### *Aggregated Operating and Capital Budgets per Province*

18. Table 4 shows the budgeted aggregated expenditure for all municipalities, analysed by province over the MTREF period and illustrated in Figure 3. Gauteng which has the lowest number of municipalities (15 including 3 metropolitan municipalities) have the highest capital budget at 24,2 per cent of the aggregated capital budget. KwaZulu-Natal, with 61 municipalities including 1 metro and 3 top 21 local municipalities have 19,4 per cent and the Western Cape with 30 municipalities including 1 metro have 15,1 per cent of the aggregated capital budget. It should be noted that the Eastern Cape, which has one of the highest number of municipalities which are mainly rural and only 1 metro has the fourth highest capital budget which shows that there is significant infrastructure development planned in the area.

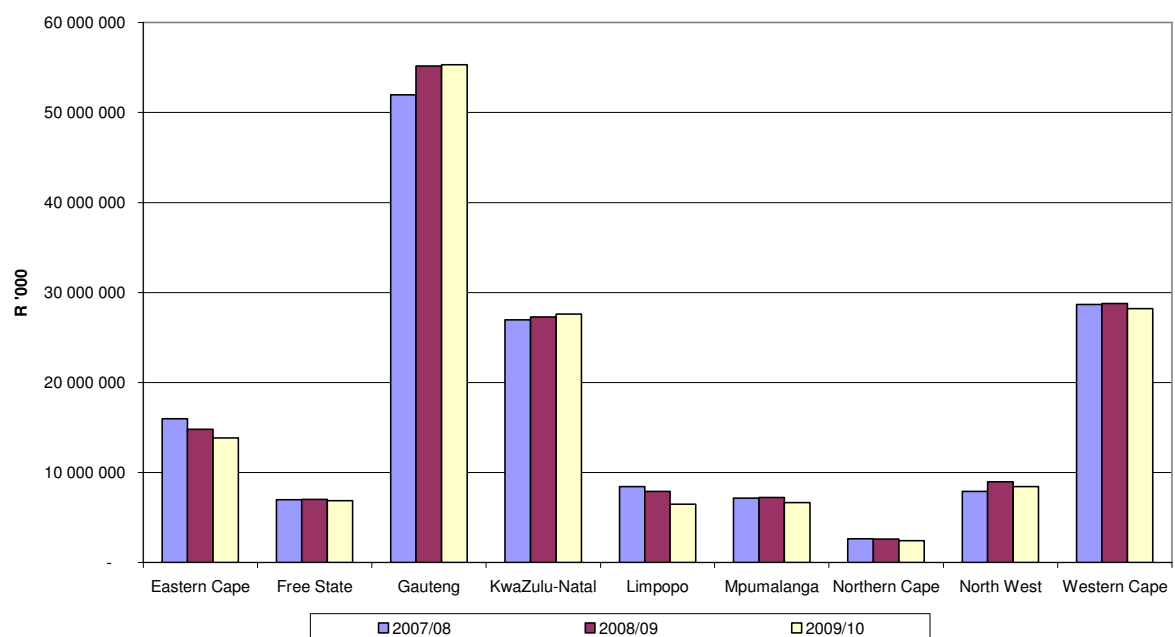
#### 4. Aggregated Operating and Capital expenditure for provinces, 2007/08 - 2009/10

R thousand	2007/08			2008/09			2009/10		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Eastern Cape	4 874 065	11 103 578	15 977 643	4 141 845	10 644 600	14 786 445	3 433 221	10 403 436	13 836 657
Free State	1 989 223	5 003 495	6 992 718	1 780 376	5 241 249	7 021 625	1 250 732	5 629 086	6 879 818
Gauteng	9 615 955	42 346 679	51 962 634	10 352 045	44 830 048	55 182 093	8 327 544	46 975 472	55 303 016
KwaZulu-Natal	7 692 964	19 278 719	26 971 683	7 945 874	19 341 288	27 287 162	6 357 205	21 263 143	27 620 348
Limpopo	3 621 436	5 209 237	8 830 673	3 311 948	5 203 051	8 514 999	2 185 958	4 792 362	6 978 320
Mpumalanga	2 724 247	4 445 081	7 169 328	2 487 000	4 745 296	7 232 296	1 606 375	5 056 563	6 662 938
Northern Cape	762 601	2 056 095	2 818 696	687 990	2 105 984	2 793 974	402 582	2 227 109	2 629 691
North West	2 460 022	5 451 927	7 911 949	3 271 561	5 721 212	8 992 773	2 474 555	5 957 593	8 432 148
Western Cape	5 995 461	22 663 571	28 659 032	5 251 540	23 535 722	28 787 262	4 335 573	23 871 694	28 207 267
<b>Total</b>	<b>39 735 974</b>	<b>117 558 382</b>	<b>157 294 356</b>	<b>39 230 179</b>	<b>121 368 450</b>	<b>160 598 629</b>	<b>30 373 745</b>	<b>126 176 458</b>	<b>156 550 203</b>
<b>% of total expenditure</b>									
Eastern Cape	12,3%	9,4%	10,2%	10,6%	8,8%	9,2%	11,3%	8,2%	8,8%
Free State	5,0%	4,3%	4,4%	4,5%	4,3%	4,4%	4,1%	4,5%	4,4%
Gauteng	24,2%	36,0%	33,0%	26,4%	36,9%	34,4%	27,4%	37,2%	35,3%
KwaZulu-Natal	19,4%	16,4%	17,1%	20,3%	15,9%	17,0%	20,9%	16,9%	17,6%
Limpopo	9,1%	4,4%	5,6%	8,4%	4,3%	5,3%	7,2%	3,8%	4,5%
Mpumalanga	6,9%	3,8%	4,6%	6,3%	3,9%	4,5%	5,3%	4,0%	4,3%
Northern Cape	1,9%	1,7%	1,8%	1,8%	1,7%	1,7%	1,3%	1,8%	1,7%
North West	6,2%	4,6%	5,0%	8,3%	4,7%	5,6%	8,1%	4,7%	5,4%
Western Cape	15,1%	19,3%	18,2%	13,4%	19,4%	17,9%	14,3%	18,9%	18,0%

Source: National Treasury Local Government Database

Figure 3

#### Total operating and capital expenditure per province, 2007/08 - 2009/10



19. The trend is almost similar on the operating budget where Gauteng represents the highest operating budget at 36 per cent of the aggregated operating expenditure budget, followed by the Western Cape (19,3 per cent) and KwaZulu-Natal (16,4 per cent). Two provincial aggregates of municipal operating budgets show a 'reduction' as a percentage of their share of the total operating budget from 2007/08 to 2008/09 (Eastern Cape and Limpopo). Only the aggregated operating budgets of Gauteng show a material proportional increase over the same period. The municipalities in the Northern Cape Province have the lowest capital and operating budgets over the MTREF.

**Conclusion:**

20. The above summary provides an aggregate view of municipal budgets for the 2007/08 financial year and over the medium term period.
21. Further information on individual municipalities is contained in the supporting schedules that form part of this publication and may on request, be obtained from:

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